

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BALLARD COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Ballard County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$7,148 from the prior year, resulting in excess fees of \$60,149 as of December 31, 2008. Revenues increased by \$26,024 from the prior year and expenditures increased by \$18,876.

Report Comment

- The Ballard County Sheriff's Office Lacks An Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were fully insured by Federal Deposit Insurance Corporation (FDIC).

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Vicki Viniard, Ballard County Judge/Executive
The Honorable Todd Cooper, Ballard County Sheriff
Members of the Ballard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Ballard County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2009 on our consideration of the Ballard County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Vicki Viniard, Ballard County Judge/Executive
The Honorable Todd Cooper, Ballard County Sheriff
Members of the Ballard County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Ballard County Sheriff's Office Lacks An Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Ballard County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

August 25, 2009

BALLARD COUNTY
TODD COOPER, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grants		
Public Safety	\$ 25,000	
Highway Safety	<u>7,405</u>	\$ 32,405
State - Kentucky Law Enforcement Foundation Program Fund		33,048
State Fees For Services:		
Finance and Administration Cabinet	\$ 64,163	
Cabinet for Health and Family Services	<u>2,418</u>	66,581
Circuit Court Clerk:		
Fines and Fees Collected	4,436	
Court Ordered Payments	<u>1,008</u>	5,444
Fiscal Court		265,925
County Clerk - Delinquent Taxes		1,232
Commission On Taxes Collected		156,300
Fees Collected For Services:		
Auto Inspections	1,805	
Accident and Police Reports	535	
Serving Papers	12,960	
Carrying Concealed Deadly Weapon Permits	860	
Sheriff's Tax Fees	<u>15,576</u>	31,736
Other:		
City of Kevil	5,000	
City of Wickliffe	28,600	
City of Barlow	3,500	
City of LaCenter	3,000	
Board of Education	4,000	
Advertising	900	
Miscellaneous	5,848	
Telecommunication Commissions	<u>423</u>	51,271
Interest Earned		492

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
TODD COOPER, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Revenues (Continued)

Borrowed Money:

Bank Note		\$	34,797
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Total Revenues			679,231
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Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	424,983	
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Materials and Supplies-

Office Materials and Supplies		9,674	
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Uniforms		4,698	
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Auto Expense-

Gasoline		43,816	
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Vehicle Maintenance and Repairs		11,973	
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Other Charges-

Conventions and Travel		1,151	
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Dues		377	
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Postage		360	
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Carrying Concealed Deadly Weapon Permits		135	
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Phone		1,280	
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Film		772	
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Fiscal Court Fees		3,040	
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Transporting		4,335	
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Miscellaneous		1,083	
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Capital Outlay-

Vehicles		4,350	512,027
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Debt Service:

Notes		34,797	
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Interest		149	34,946
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Total Expenditures			546,973
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Less: Disallowed Expenditures

Finance Charges			149
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Total Allowable Expenditures			546,824
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The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
TODD COOPER, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Net Revenues	\$ 132,407
Less: Statutory Maximum	<u>68,733</u>
Excess Fees	63,674
Less: Training Incentive Benefit	<u>3,525</u>
Excess Fees Due County for 2008	60,149
Payment to Fiscal Court - December 31, 2008	<u>60,000</u>
Balance Due Fiscal Court	<u><u>\$ 149</u></u>

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.5 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Ballard County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Ballard County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Note Payable

The Office of the Sheriff was responsible for an unsecured note payable line of credit in the amount of \$34,797. The purpose of the note was to operate the Sheriff's office. The note matures upon demand and the interest rate is 6 percent. The Office of the Sheriff was in compliance with the terms of the agreement as of December 31, 2008.

Note 5. Drug Fund

The Ballard County Sheriff's Office maintains a Drug Fund. Receipts result from the forfeiture of money and property awarded in drug cases and interest earned. The funds are spent for supplies, equipment, vehicle repairs, and drug awareness programs. The balance as of January 1, 2008 was \$1,682. During the calendar year receipts totaled \$14,605 and disbursements totaled \$13,857, leaving an ending balance of \$2,430 as of December 31, 2008.

Note 6. Federal Grants

The Ballard County Sheriff's Office was awarded two federal grants, one from the Justice & Public Safety Cabinet and one from the Transportation Cabinet. During the year the Sheriff's office received \$25,000 from the Kentucky State Police for Public Safety and \$7,405 from the Division of Highway Safety for Highway Safety. The Ballard County Sheriff's office complied with the terms of the grant agreement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Vicki Viniard, Ballard County Judge/Executive
The Honorable Todd Cooper, Ballard County Sheriff
Members of the Ballard County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Ballard County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated August 25, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ballard County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Ballard County Sheriff's Office Lacks An Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ballard County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Ballard County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Ballard County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 25, 2009

COMMENT AND RECOMMENDATION

BALLARD COUNTY
TODD COOPER, SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

The Ballard County Sheriff's Office Lacks An Adequate Segregation Of Duties

The Ballard County Sheriff's office lacks an adequate segregation of duties which is considered a control deficiency. Due to the diversity of official operations, small size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. Therefore, the sheriff has implemented recommended compensating controls that have been placed into operation and working properly to reduce the severity of the deficiency. The compensating control procedures implemented for the expenditures are sufficient to reduce the deficiency to an acceptable level. But the compensating control procedures implemented for the receipts and the reconciliation process are not sufficient to reduce the deficiency to an acceptable level.

The bookkeeper prepares both the daily checkout and daily deposit, with both being reviewed by the Sheriff. While the Sheriff could detect calculation errors in the deposit or daily checkout in this way, the bookkeeper still has the opportunity to manipulate the checkout and/or deposit prior to the Sheriff's review. A better compensating control would be for the Sheriff or a designated deputy to count and prepare the daily deposit and compare the deposit to daily checkout information prepared by the bookkeeper, allowing the two individuals to reconcile any differences before the receipts are recorded in the ledgers. The Sheriff or his designated deputy could initial the checkout to document he has agreed the deposit to the checkout, while the bookkeeper could initial the deposit ticket.

The bookkeeper also prepares the reconciliation of the bank statements and the Sheriff reviews the reconciliation. However, to properly detect errors or fraudulent financial reporting, the reconciliation should be prepared by the Sheriff or a designee other than the bookkeeper. The current reconciling procedures may allow the bookkeeper to alter information on the ledgers or make false adjustments to the reconciliation before the Sheriff's review. By allowing an individual independent of bookkeeping to reconcile the bank records to the financial records, recording errors or possible fraudulent reporting could be more accurately detected.

Sheriff's Response: "We will comply as much as possible with this unfunded state mandate! We are a law enforcement agency not a normal sheriff's office as you have in central/northern KY!"

